DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

December 8, 1981

TO: Donald T. Regan, Chairman, Cabinet Council for Economic Affairs

FROM: John R. Block /s/ signed
The Secretary

SUBJECT: Sale of CCC Corn to Poland

Several conditions are essential to a credit sale of CCC owned corn by the Commodity Credit Corporation (CCC) to the Polish Peoples Republic. The President's approval of the sale should be conditioned on following the sales plan below:

1. Overall plan. The sale would be the initial step in a larger overall plan to help Poland overcome its current food crisis. The larger plan would be submitted to Congress for formal approval.

2. Short-term plan. CCC can finance the sale of its corn stocks on credit terms in excess of three years, but not more than ten years under Section 4(b) of the Food for Peace Act of 1966, as amended (Section 4(b)).

3. Purposes of sale. Section 4(b) forbids the financing of a credit sale for foreign aid purposes. The Secretary of Agriculture must determine that the sale will (i) develop, expand, or maintain Poland as a foreign market, on a long-term basis for the commercial sale and export of U.S. agricultural commodities without displacing normal commercial sales, or (ii) improve the capability of Poland to purchase and use, on a long-term basis, U.S. agricultural commodities.

4. Congressional approval. The CCC FY 1982 budget statement submitted to Congress does not contain any program to be conducted under Section 4(b). Therefore, the sale would require an amendment to CCC's budget statement. Due to time pressures, assent to the budget statement amendment will have to be obtained from the leadership of the Appropriations Committees in both houses of Congress.

5. Price. The corn must be sold at 105 percent of the call price; 105 percent is currently $3.32 per bushel for number 2 corn (Section 110 of the Agricultural Act of 1949, as amended).

6. Currency. Payment for the corn must be in U.S. dollars (Section 4(b)).

7. Credit terms. Poland would pay for the commodities over an eight year period, with an interest rate adjusted at the beginning of each calendar year and paid annually. In accordance with the guidelines established in Section 4(b), the interest rate will be based on CCC's cost of money. After a three year grace period for payment of principal, principal would be amortized in five equal annual installments.

8. Cargo Preference. This intermediate term credit sale would not be subject to cargo preference because of the exemption contained in Section 4(b). This point should be made clear to the U.S. Maritime Administration and to Congressional committees concerned with cargo preference laws prior to final approval of the sale.

9. Shipment. The Polish government will ship the corn on their own vessels at their own expense. CCC will pay the cost to ship the corn to U.S. ports and load it on the vessels.

We agree that such a corn sale could be made provided that the above conditions are met.